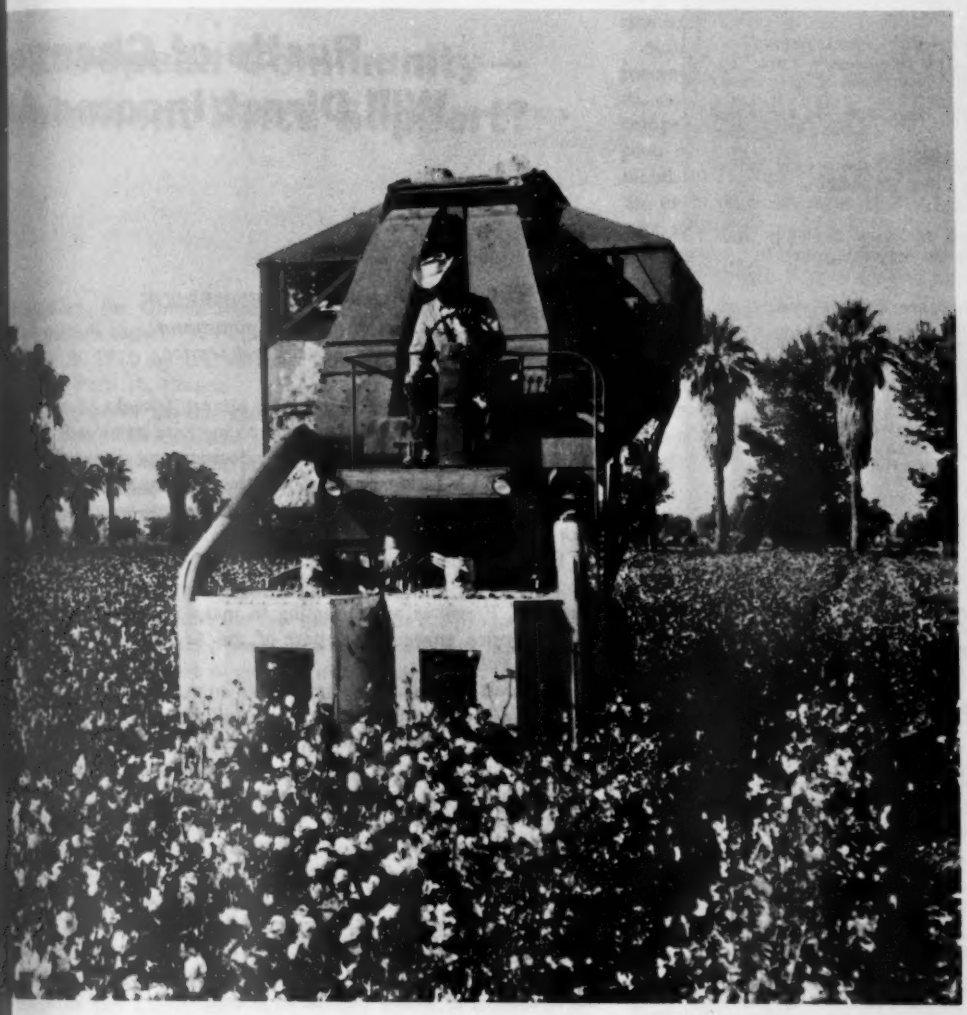
S-8
691f7

FOREIGN AGRICULTURE



APRIL 17, 1972

DETROIT PUBLIC LIBRARY

JUN 28 1972

TECHNOLOGY & SCIENCE

European Community—
Ponders Farm Income Aids
Raises Farm Prices

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

FOREIGN AGRICULTURE
Vol. X • No. 16 • April 17, 1972

In this issue:

2 Rustle of Change in the European Community—Will Direct Income Aids Supplement Price Support? By Harry W. Henderson

3 European Community Sets New Higher Farm Prices By John F. Hudson

4 Record World Cotton Crop Offsets Low Stocks Consumption Nearly Paces Production By H. Reiter Webb, Jr.

5 U.S. Cotton Improves Its Share of Italian Market—Might Again Be the Major Supplier By Mary E. Wilson

6 High EC-CAP Grain Prices Increase Feed Costs for Most West German Farmers By George A. Parks, Roger E. Neetz

8 Palm Oil Production in West Africa—Its Role in World Palm Oil Trade By John K. Lynam

11 Australia Reports Large Canned Fruit Pack—Surplus Problems Worry Industry and Government By Henry O. Wagley, Jr.

13 Crops and Markets

This week's cover:

Mechanical cotton picker speeds up harvesting on a farm in the U.S. Southwest. World cotton output, yields, and consumption are all at record levels for the 1971-72 season, but world stocks will be close to a 19-year low as the new season begins. See story on page 4.

Earl L. Butz, Secretary of Agriculture

Clarence D. Palmby, Assistant Secretary for International Affairs and Commodity Programs

Raymond A. Ioanes, Administrator, Foreign Agricultural Service

Editorial Staff:

Kay Owsley Patterson, Editor
Janet F. Beal, Associate Editor; Marcellus P. Murphy, Isabel A. Smith, Lloyd J. Fleck.

Advisory Board:

Kenneth F. McDaniel, Chairman; Horace J. Davis, Anthony R. DeFelice, Robert H. Ingram, Kenneth K. Krogh, J. Don Looper, Larry B. Marton, Donald M. Rubel, Larry F. Thomasson, Quentin M. West, Joseph W. Willett.

Use of funds for printing *Foreign Agriculture* has been approved by the Director of the Bureau of the Budget (May 1, 1969). Yearly subscription rate, $10.00 domestic, $13.00 foreign; single copies 20 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

Rustle of Change he Eu
Will Direct Income Aid upple

By HARRY W. HENDERSON
Assistant to the Administrator
Foreign Agricultural Service

The European Community, after almost 2 weeks of continuous debate, decided on March 24 to increase its already high prices on major farm products. The decision was disappointing to many both inside and outside the Community who had been hoping that prices—particularly of grain—would at least not be raised.

However, there are signs that this could be the last year the area will use prices as the sole means of bolstering farm incomes. Pressures are mounting to make income support as well as price guarantees a part of the EC's Common Agricultural Policy.

The most significant pressures have come from EC officials.

During the course of the agricultural policy discussions, a shift in the method of support was called for by Altiero Spinelli, an Italian member of the EC Commission, in a debate with Sicco Mansholt, now Commission president. Mr. Spinelli challenged proposed price increases on the ground that they would not help small farmers, would aggravate the adjustment problem of the United Kingdom and other new members, and would irritate the United States. Mr. Spinelli recommended, instead, that support prices be raised for livestock products only and that deficiency payments of $20 per hectare (about $8 per acre) be given to farmers for the first 20 hectares (49 acres) planted to grains.

In an interview on March 27, Dr. Mansholt, in referring to the price decisions, recalled that the Commission had made proposals for direct income aids to Community farmers and that such aids would be especially necessary in the future, because it is unlikely that in the years ahead the Community will be able to raise prices as in the past.

He also said, "We must help farmers in another way." He admitted that recent moves to restructure EC agriculture would take years to become effective and added, "In my opinion we must have direct aids."

Another EC Commissioner, Ralf Dahrendorf, agrees with Dr. Mansholt and Mr. Spinelli. In a press interview in London March 27, Mr. Dahrendorf said that he expected the Community to consider direct aids to agriculture within the next year.

Use of income supports had been given a strong boost a year and a half earlier by a panel of agricultural experts representing Belgium, Denmark, France, Italy, the United

ge he European Community—
Aid upplement Price Support?

Kingdom, the United States, and the European Community. The panel's report, "A Future for European Agriculture," was issued in 1970 by the Atlantic Institute, 120 rue de Longchamp, Paris 16, France.

The experts, though agreeing fully that in the European Community the emphasis should be shifted towards income support and away from price support, warned that changes should be spread out over a period of time and be accompanied by other reforms.

They proposed, as a first step, lowered prices for cereals (particularly wheat) and sugar. They felt that price cuts for these products are the key to an "agricultural equilibrium," because they constitute the raw material for the production of pork, eggs and poultry, meat, and to some extent, milk; and also because they are in competition for the use of cultivable land.

But the panel cautioned that incomes must be protected as prices are lowered. As the report put it, "The principle must be to substitute, gradually, income support for price support."

How would the transition from price support to income support be accomplished?

The panel would *not* do it by adopting the United Kingdom's "deficiency payments" system, or its equivalent, as some have suggested. The report observed, "The essential difference between the Community and Britain does not lie in the mechanism by which prices are guaranteed; it lies in the lower level of prices guaranteed to British farmers, as against those in the Community, and in the methods followed in adjusting those prices. If the British methods were applied to the Community, and if they compensated in full for higher prices, they would give the same incentive to overproduction. This would run counter to any attempt to reach an equilibrium between supply and demand."

The Atlantic Institute experts proposed four safeguards to any direct payment method adopted.

The first of these would compensate for lower prices on the basis of the average yield in the Community. For example, if the price of one quintal of wheat is lowered by one franc, the average Community yield being 32 quintals per hectare, the basis for compensation would be 32 francs per hectare of wheat. In other words, the shift from high prices to payments would be compensated for in terms of a standard unit of quantity, whether quintals of grain, hectoliters of milk, or tons of sugar beets, regardless of the quantity produced by the individual farmer.

The second would fix payments depending upon the area under cultivation in the years preceding the decision to lower prices. The standard which would form the basis of compensation for the reduction of price would be calculated for each producer on the average number of units he had assigned to the production in question, in the 3 years preceding the decision to lower the price.

Subsequent increases in the area of land under cultivation for any particular crop, or of the number of livestock applied to, say, milk production, would not entail a right to further compensation. To do so would run counter to the basic purpose of using the price mechanism to adjust supply to demand. In the same way, the subsidy would not be reduced in the event of a reduction in the units assigned to these products, since this would run counter to the intention of causing a readjustment of production by means of price adjustments.

The third safeguard, which would ensure that compensation is paid only during the lifetime of the recipient, further reinforces the divorce of income support from the production process. Compensation should be paid only to producers who are still in business; it could not be passed on to an heir or a new buyer of the farm—except under certain circumstances. Such a safeguard, though apparently severe, is believed by the panel members to be clearly in the long-term interest of the

European Community Sets New Higher Farm Prices

By JOHN F. HUDSON
Trade Policy Division
Foreign Agricultural Service

At 8:00 a.m. on March 24 the European Community's Council of Ministers completed one of the longest and most difficult series of meetings in its history and announced agreement on a package of farm support measures including support prices for 1972–73. (For background, see *Foreign Agriculture*, Mar. 6, 1972.) The EC Council began its discussion on March 13 and remained in almost continuous session until the morning of March 24. During the course of a particularly stormy debate over compensatory taxes, both the German and French Ministers of Agriculture found it necessary to return home for instructions.

New support prices. While not all the figures were immediately available on the level of support prices approved for 1972-73, they can be calculated fairly accurately from the percentage increases announced by the Council. (See table on p. 12.)

The approved prices include 4-5 percent increases for grains, a narrowing of the spread between barley and corn prices, an 8-percent increase for milk, and a 4-percent increase for beef (live cattle). The Council is to decide by September 15 whether a further increase should be granted for beef at that time.

The Commission had recommended that present market conditions warranted no price increase for butter but a 20-percent increase for skim milk powder. Insistence by some ministers on an increase for butter, however, resulted in agreement on a 4.5-percent increase to be implemented in two

(Continued on page 12)

farming community, since without it the necessary structural changes, such as envisaged by the Mansholt Plan, would not take place.

The fourth safeguard would make the payments on each standard unit smaller the larger the number of units produced per farmer. Thus, compensation per hectare would decrease as there was an increase in the number of hectares of grain or sugar beets per farm, or in the number of cows kept. The program of reducing compensation per hectare with the size of the farm would only begin to operate with farms of a certain size.

The Atlantic Institute panelists were dead set against a continuation of high protected prices.

High prices, they felt, can help the big farmer who produces a great many units of a product, but they do much less for the small farmer. Also, high prices for some farmers—those producing barley and corn, for example—involve high costs to others, such as the farmers who must buy feed for their cattle, swine, and poultry. So to a certain extent high prices are self-defeating as a means of improving incomes in agriculture.

The panelists pointed out that consumers, especially low-income consumers, are hurt when guaranteed high farm prices are reflected in high food costs. As their report puts it, "A policy of high prices for agriculture . . . automatically redistributes income at the expense of those who are the poorest. This could be seen more clearly if we imagined for a moment that agricultural prices were lowered and the decline compensated by equivalent payments financed from the budget. Nobody would dream of covering these additional public expenditures by indirect taxes imposed exclusively on food, still less by direct taxes on the lowest income groups—there would be immediate outcries of inequity. Such is, however, the exact manner in which a policy of high agricultural prices affects the distribution of real income." The report states that of the total EC expenditure for agriculture in a recent year of $11 billion to $13 billion, consumers had to bear a burden of $6 billion to $8 billion.

Major supplying countries have found from hard experience that the EC's guaranteed high prices tend to distort world trade patterns. This comes about in several ways. First, such prices dampen demand in the Community itself and this limits trading opportunities for efficient supplying countries. Second, the high prices maintained by the EC stimulate uneconomic production that not only cuts down trading opportunities still further for supplying countries but also leads to the initiation of Community programs to put surplus farm products on world markets through the use of export subsidies. A few years ago Dutch butter that was selling for 80 cents a pound in Amsterdam could be bought in Beirut, Lebanon, for 20 cents. And French feed wheat was sold to Taiwan for 99 cents a bushel—a ridiculously low price made possible through payment by the Community of an export subsidy larger than the price of the grain itself at French ports. These subsidized exports, of course, mean reduced sales for other suppliers in their traditional markets.

It is too early to forecast when the European Community will begin to put more reliance on income support and less on price support. But the timing is less important right now than the recognition by Dr. Mansholt and other European agricultural experts that a fundamental change in agricultural price policy is necessary.

Record World Cotton Cr[op] Consumption Near[s]

By H. REITER WEBB, JR.
Cotton Division
Foreign Agricultural Service

The end of the 1971-72 cotton marketing year (July 31) will see the establishment of several post-Korean-War records —some positive, others negative. Production, consumption, and yields have all reached new highs, but world stocks will be at a low level matched only once before during the past 18 years. Cotton consumption has almost kept pace with output this year, keeping the two in fairly close balance.

During the 1972-73 marketing year, production and consumption are expected to climb past this year's record levels, but average yield is expected to be down slightly, and world stocks will show little, if any, gain.

Current statistics. At 19.6 million bales, world stocks are at their lowest level since 1962-63, when they were also 19.6 million bales. These are the two lowest levels since 1953-54. Stocks in the United States and in foreign non-Communist countries are sharply lower than a year earlier. Stocks in Communist countries are up over a million bales compared with the previous year, as a result of the record Russian crop in 1970-71.

World cotton stocks on August 1, 1971, represented only about 4.3 months of consumption at the rate expected for the full season. This ratio, which was 4.8 months of consumption last year, is at the lowest level since 1951-52. World stocks at the beginning of the season normally range between 5 to 7 months of consumption and when the ratio gets out of that range it can be expected to have a sharp effect on prices and acreage the following year.

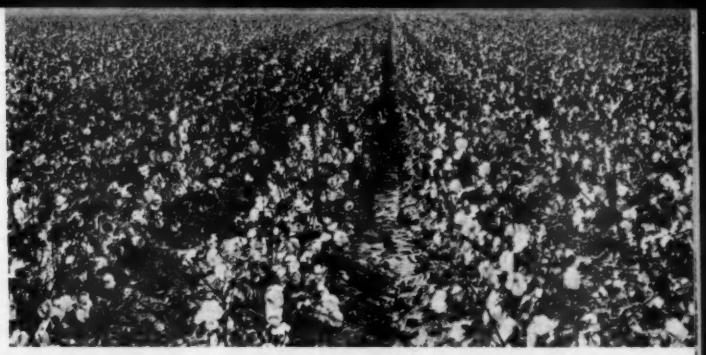
On the other hand, world cotton production this year is estimated at an alltime record level of 55 million bales. Foreign non-Communist countries increased production by over 3 million bales compared with last year's total, to a new record level of 26.5 million bales.

Communist countries increased production in 1971-72 by only 300,000 bales over 1970-71. However, that is a significant increase, since it came about as a result of a second record Russian crop. With production of 10.8 million and 11.1 million bales in the last 2 years, Russia has been the world's largest cotton producer.

Other significant increases in production this year are in Mexico, Nicaragua, Argentina, Brazil, Colombia, Greece, Cameroon, Chad, Nigeria, India, Pakistan, Turkey, and Australia. Production in Spain, Iran, and Egypt is off compared with 1970-71.

Larger world cotton production in 1971-72 is a result of increases in both acreage and yield. Foreign non-Communist countries increased their plantings of cotton by about 2.3 million acres in 1971-72 compared with 1970-71. U.S. Department of Agriculture estimates indicate a 1971-72 world record yield of 325 pounds of lint per acre compared with the previous record of 323 in 1968-69. This season's record is about 13 pounds above last year's yield, and 15 pounds above the 1965-69 average of 310.

Cr ffsets Low Stocks--
lea aces Production



Because of increased production, the world supply of cotton in 1971-72 is up over 1.5 million bales from last year. However, it still represents only 137 percent of the anticipated level of consumption. At that level, the ratio is at the second lowest point since 1950-51 and is up only slightly over last year's 135 percent.

At 54.6 million bales, world cotton consumption in 1971-72 is expected to show an increase for the 10th consecutive year to a new high. All of the increase in the current year is in foreign non-Communist exporting countries (up 100,000) and Communist countries (up 600,000) since consumption in foreign non-Communist importing countries and in the United States is expected to be unchanged.

U.S. exports in 1971-72 are expected to reach 3.1 million bales, although the "residual"—the difference between foreign production and consumption—is only about 1.9 million bales. Foreign countries are expected to purchase more than the residual amount from the United States because of their low stocks.

Outlook for 1972-73. At 19.5 million bales, world stocks going into the 1972-73 season are expected to be changed little from this year. However, stocks at that level will represent only 4.2 months of consumption, since consumption is expected to rise.

World cotton production in 1972-73 seems likely to increase by about 2.5 million bales. An increase in the United States crop by possibly 2 million bales under normal growing conditions was indicated by the March planting intentions report. Because of attractive prices this year, foreign non-Communist countries are expected to increase production by about 1 million bales as a result of increased acreage, more than offsetting an anticipated slight decline in yield. Production in Communist countries is also expected to drop slightly, based on an assumption of more normal yields rather than the higher levels reported for the past 2 years.

These estimates would result in a world supply of cotton in 1972-73 of 77 million bales. While this would represent an increase of over 2.5 million bales from 1971-72, it would still represent only 139 percent of anticipated consumption, the third lowest ratio since 1950-51. At 139 percent, the ratio would still be lower than in 1969-70, when prices started moving upward.

World cotton consumption is projected to increase by 800,000 bales in 1972-73, with all the increase coming in foreign countries.

U.S. exports in 1972-73 seem likely to equal the current estimate for 1971-72 of around 3.1 million bales. The residual is likely to be around 2 million bales, but once again, low stocks will probably move the additional cotton from the United States into foreign markets.

U.S. Cotton Improves Its Share of Italian Market—Might Again Be the Major Supplier

Competitive U.S. cotton prices early in the 1971-72 season, a general recovery in the Italian cotton textile industry, and lower cotton imports from traditional suppliers appear to have increased demand for U.S. cotton in the Italian market.

Traditionally the major supplier of cotton for this market, the United States lost No. 1 position to Turkey during calendar 1970 and 1971. U.S. export statistics for the first half of crop year 1971-72 (August-January), however, indicate that exports of 66,000 bales (480 lb. net) for this period are almost triple the 24,000 bales shipped to Italy in August-January of 1970-71.

If the trend continues during the second half of the season, the United States would improve its share of the Italian market and possibly resume its former position as that country's major supplier.

Italy has imported an average of 236,000 bales from the United States and 157,000 from Turkey during the past 5 calendar years (1966-70). However, the U.S. share of the Italian market has fallen steadily from 30 percent in 1967 to only 14 percent in 1970, while the Turkish share increased from 13 percent in 1966 to 19 percent 4 years later.

According to Italian import statistics for the first 4 months of the 1971-72 season, the Turkish share of the market rose to 22.5 percent and the U.S. share rose to 19.3 percent during this period, at the expense of imports from Syria, Sudan, Mexico, Brazil, the Soviet Union, Peru, and Nigeria. Factors in those market losses were complaints of fiber quality in cotton from some Middle East suppliers and reduced export availabilities in others.

Several factors could influence the level of total cotton imports from the United States this season.

The Italian cotton textile industry now appears to be recovering from a serious slump caused by rising costs while market prices for textile goods remained fairly constant. (*Foreign Agriculture*, Nov. 1, 1971). Recent increases in domestic textile and yarn

(*Continued on page 16*)

High EC-CAP Grain Prices Increase Feed Costs For Most West German Farmers

By GEORGE A. PARKS
U.S. Agricultural Attaché
and
ROGER E. NEETZ
Assistant U.S. Agricultural Attaché
Bonn

Increasingly discussed by economists and others in West Germany is the premise that lower grain prices in the European Community (EC) could be an important step toward resolving major trade issues with the United States and other countries.

Lower grain prices traditionally have been considered politically impossible in the EC and particularly in the Federal Republic of Germany.

Current discussions of this problem have focused largely on a sharp downward price revision for that part of grain production used for feed or export. The prices of wheat and rye for human consumption could be maintained at present levels or even increased.

The arguments suggest that this would decrease the EC's dependence on the high grain price as the agricultural income leader and simultaneously move the Common Agricultural Policy (CAP) into more efficient alternatives.

This policy, if adopted, could contribute significantly to income possibilities for farmers in West Germany.

Although Germany currently produces up to 20 million tons of grain annually, it can hardly consider itself a major commercial producer, and even less, a potential exporter of grain under competitive conditions. It has imported about 5 million tons a year since 1964. And, importantly, Germany's farm income does not depend too heavily on grain since most of the grain produced is consumed on farms for livestock feed.

However, Germany's current policy condones highly subsidized exports of grain produced under high CAP prices and at the same time supports high levies on grain imports from third countries. This is a measure of the protective nature of the CAP which diverts trade away from the more efficient producers and exporters of grain.

Traditionally, the core of the German policy has been to protect grain farmers. Grain was the price leader, and all other products, including other raw feedstuffs and livestock products, were tied to grain. Political protection was given to sizable numbers of small farmers that were dependent on farm wages for a livelihood.

However, the rapid exodus of farm labor since the fifties has driven its share of the labor force down from 26 percent in 1955 to less than 10 percent in 1970. Thus, German farming has become more capital-intensive and grain production, particularly, has become unresponsive to wage fluctuations. Advanced mechanization has spurred increased production in a time of rising wages. However, while farm size and grain yields both have increased, the high price syndrome of agricultural policy has in effect contravened the laws of comparative advantage.

Specifically, the continued high grain prices have increased production costs for most farmers since the largest share of cash farm income—75 percent—is derived from the sale of livestock products, while only 8.5 percent is from grain sales.

Thus, a decreasing number of grain farmers—who are Germany's larger farmers—have benefited most from the high price level.

Further, under the aegis of high CAP grain prices, both production and acreage of grains have increased. Acreage has risen 5 percent since 1965, but more importantly, production has skyrocketed by 50 percent from 13.9 million tons in 1965 to 20.8 million in 1971. Half of the total is in wheat and rye.

Although Germany had two general price declines during the 1965-71 period—one related to the tie-in of prices with the fixed unit of account and the other as a result of the revaluation of the deutsche mark—farmers were at least partially compensated for these price changes.

Thus, price stimulus still remains the major reason for expanded grain output.

Significantly, this expansion is taking place in the face of a decline in food grain consumption, forcing Germany into an artificially competitive situation backed by large subsidies in commercial grain markets with more efficient producers and also to use more domestic wheat as an expensive substitute for cheaper imported feedgrains.

Both the move into exports and the use of wheat for feed probably have been accelerated by high subsidies available from the EC's Common Agricultural Guarantee and Guidance Fund (FEOGA).

In 1970, FEOGA spent $820 million and in 1971, $725 million (U.S. dollar equivalent) for grain price supports in the form of purchases and export and denaturing subsidies for wheat to be used for nonfood purposes. In recent years, Germany has exported more than 2 million tons of grain annually and has become a significant recipient of EC export subsidy payments and also has benefited from denaturing subsidies.

Thus, Germany's withdrawals from FEOGA have been increasing much more rapidly than its contributions to the fund, since imports of variable levy items, such as grain and poultry, have declined as German grain exports have increased.

During the sixties, Germany's livestock industry began to grow rapidly. The numbers of poultry and hogs, both heavy consumers of feedgrains, expanded more rapidly than beef cattle. By 1970, poultry had increased 59 percent and hogs 34 percent over the 1957-61 average.

The growing number of German farmers turning to livestock must con-

tend with higher production costs from high-priced EC grain compared with costs based on buying feed from more efficient suppliers.

Current estimates show that some 15.5 million tons of grain are consumed as feed in Germany, but only about 1.4 million tons of feedgrains—barley, oats, and corn—are sold by farmers to other farmers or grain dealers. On a value basis, sales of feedgrains by farmers for cash amounted to only 1.4 percent of total farmer sales in 1969-70. The bulk of the grain used by farmers is grown on their own farms, but net feed imports still have averaged about 4 million tons annually—over 25 percent of the total grain fed to livestock—since 1965-66. This represents a 2:3 ratio of feed imports to cash farm sales of barley, corn, and oats.

Much of these imports go into mixed feeds. The German mixed feed industry has utilized slightly more than 3 million tons of grain annually since 1966. Thus, it is evident that even with sharply increased domestic production, imported grain still contributes heavily to the growing mixed feed industry. Livestock farmers with limited income opportunities, who are not self-sufficient in grains, tend to avoid purchases of expensive domestically produced grain from other farmers in favor of mixed feeds from the mixed feed industry, hoping in this way to gain some of the price advantages of the imported grains used in the mix.

Even so farm incomes do not compare with those in other areas of the German economy. The heavy emphasis on high grain prices remains a paradox to income objectives of Germany's farm policy. For example, most farm commodity prices in the world market are lower than those of the EC, but in terms of specific relationships, world prices of livestock products are far higher than those for grains.

Because EC costs for growing grains are greater than those of other countries, the returns to its farmers for livestock products are relatively lower than if they fed more of the lower priced imported feeds. The EC, in reviewing its overall marketing policy, might well explore the possibility of correcting its price relationships with the objective of increasing farm incomes to the largest number of farmers.

A review of Germany's farm progress over a long period shows that farm output has risen 1.6 percent annually since 1965, much more slowly than agricultural imports, which have increased 5.4 percent a year over the same period. At the end of the sixties imports and production matched one another at about $5.5 billion to $6 billion each.

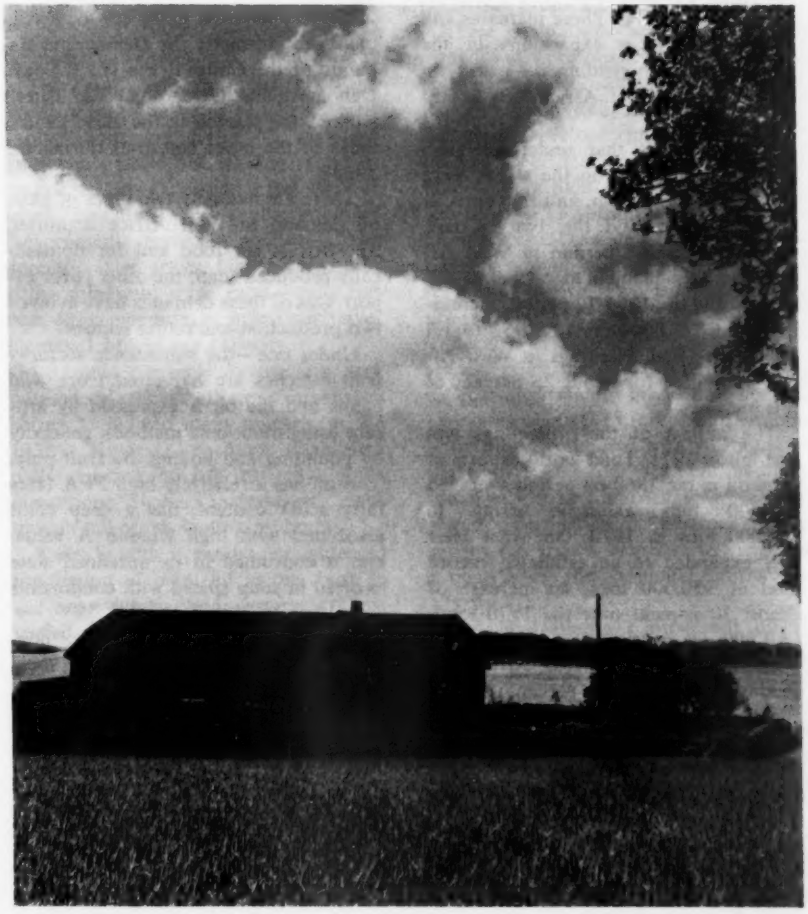
Important in the trade picture is the steady growth of imports of meat and livestock products from 8.3 percent to 10.3 percent of total imports and the decline in value of grain imports from 11 percent of total trade to less than 9 percent.

Looking at this trade in terms of economic opportunities for German farmers, it seems that shifts in domestic pricing of feedgrains could encourage more domestic meat production at lower costs. Conversely, increased productivity in grains could maintain income for major grain producers without price increases. However, if productivity increases did not fully compensate for lower grain prices, fiscal relief and supplementary payments for land conservation and related farm programs could offset a substantial part of income losses. Under such a policy the incomes of livestock producers would rise.

Germany already is moving toward a more market-oriented policy, although the Government still is unwilling to adopt a lower cost feeds policy. Since the passage of the Market Structure Act in May 1969, which is designed to encourage producers to adapt to marketing opportunities, the greatest number of new producer organizations have been created to buy and sell livestock products.

Lower grain prices could further stimulate both output and consumption of livestock products in the EC and thus expand markets and increase incomes for a large number of German farmers. In view of this, lower feedgrain prices could be viewed as income expansion possibilities rather than income protecting devices.

Wheat growing on dairy farm in northern Germany.



Palm Oil Production in West Africa—Its Role in World Palm Oil Trade

By JOHN K. LYNAM
Fats and Oils Division
Foreign Agricultural Service

Production of palm oil is expected to boom during the current decade and world exports, virtually stagnant during the 1960's, could reach a level almost triple that of 1970. These increases will result from large expansions in the planting of high-yielding oil palms on plantations in West Africa and Southeast Asia.

The countries that undertook such large-scale plantings in the sixties were West Malaysia, Sabah, and Indonesia in Southeast Asia and the Ivory Coast, Dahomey, and Cameroon in West Africa. Acreage planted to oil palms tripled during the 1961-70 period, increasing from 425,000 acres in 1962 to 1.3 million in 1970. Plantings in West Africa accounted for about 25 percent of this increase.

The impact of these plantings was first felt in 1971. Total world exports of palm oil in the 1960-69 period averaged 585,000 tons annually, rising to 735,000 tons in 1970. One year later they expanded to an estimated record level of 950,000 tons, an increase of almost 30 percent over the 1970 total. (All tons are metric.)

Of 1971 exports, West Africa accounted for only 23 percent of the total. In 1960 West Africa had shipped two-thirds of world exports.

The oil palm, *Elaeis guineensis,* is indigenous to the tropical areas of West Africa. Natural stands occur along the coast in a 300-mile-wide belt, extending from Gambia to Angola. These wild groves account for the major share of West Africa's oil production. However, it is the area in plantations that supplies most of the palm oil that goes into export.

Large plantation areas are located in the Zaire (formerly the Democratic Republic of the Congo), the Ivory Coast, Dahomey, and Cameroon. The Zaire's palms were planted in the early 1950's, those of the other countries during the 1960's.

There are basically two types of palm oil demand in West Africa countries. The first is for food and for domestically produced soap; the other is for export. Out of these demands have evolved two production-marketing sectors.

Under one—the subsistence sector—fruit bunches are harvested from wild palms and the oil is expressed by artisans using traditional methods, generally by pounding and boiling the fruit pulp. This oil has a relatively high FFA (free fatty acid) content, has a deep color associated with high vitamin A value, and is consumed in its unrefined state —often in soup spiced with condiments —and as a frying oil.

Surplus oil—that is, oil above consumption requirements—is sold in local outdoor markets, or is transported by small-scale middlemen to outlying urban areas. Rural inhabitants generally produce enough oil to satisfy their own needs and little, if any, other oil is transported into these regions.

The second demand—for palm oil for export—is met basically by production from plantation systems, and to a lesser extent by producer cooperatives that supply a centrally located processing mill with bunches produced in smallholder groves.

The oil produced by this commercial sector goes directly to port bulk facilities for export or to domestic industries for the manufacture of table oil and soaps, and to a lesser extent, shortenings and margarines.

Production of palm oil in western Africa has been affected by two offsetting trends: decreasing commercial supplies on the one hand and increasing subsistence production on the other. These trends, mainly reflecting the decline in Nigerian production, resulted in a relative stagnation in West Africa's total production in the 1960-70 period at about 1 million tons.

In 1960 commercial supplies were 444,000 tons, 43 percent of total production, while subsistence production, at almost 600,000 tons, made up the remaining 57 percent. By 1969 commercial output had dropped to 287,000 tons (26 percent of total supplies), while subsistence production had risen to 727,000 tons, 74 percent of the total.

Increased industrial consumption of commercial supplies caused exports of crude palm oil to drop at an even faster rate than production—from about 400,000 tons in 1960 to 180,000 tons in 1970.

Because of the expected upsurge in production resulting from increased plantings in West Africa, this decade should see a reversal in the trend of declining commercial production. Exports from this area should increase to about 350,000 tons by 1975 and to 400,000 tons by 1980.

In 1960, Nigeria was the world's largest exporter of palm oil, supplying 186,000 tons or over 30 percent of total world trade. By 1966, however, a growing population had siphoned off increasing amounts of oil to meet its consumption requirements, and exports dropped to 146,000 tons. In 1967, the country's civil strife almost completely terminated this trade.

Nigeria's fighting took place in major producing areas in the former Eastern Region (which is now divided into Rivers, East-Central, and South-Eastern States). Thousands of villagers were driven from their homes and their oil palm stands deteriorated from lack of cultivation; the marketing system disintegrated; much of the country's process-

ing capacity was destroyed; and consumption patterns were upset when other thousands of Ibo tribesmen migrated into the Eastern Region. Since the war's end in 1970, Nigeria's annual exports have not exceeded 20,000 tons.

As a result of the conflict, palm kernel production sagged—to 225,000 tons in 1967 from a prewar normal of about 420,000 tons. By 1971, Nigeria's palm kernel output had recovered to about 320,000 tons, implying a corresponding increase in palm oil. However, this rise in production of palm oil has not resulted in a boost in exports.

Because Nigerian domestic prices for palm oil are about three times their prewar level, and marketing-board-producer purchase prices have shown no similar climb, smallholders choose to sell surplus palm oil on the local market rather than to the marketing board.

Nigerian marketing board purchases are limited primarily to the output from a few small estates owned by several State Governments and reduced output from mills of the Pioneer palm oil producing organization, which, since the end of the war, has been able to rehabilitate only 26 of its prewar total of 67 oil mills.

Domestic requirements are expected to continue to siphon off Nigeria's increases in palm oil production so that by 1975—when output should be back to its prewar level—exports will probably not be more than 40,000 tons. Through the latter half of the decade Nigeria's major concern will be to supply its own domestic needs.

Like the trend in Nigeria's palm oil exports, those from the **Zaire** peaked in 1960, reaching just under 170,000 tons. From this level they declined steadily through the sixties.

In the 1964-67 period, political instability in the Congo and resultant civil strife caused the movement of smallholders out of production of palm oil for the commercial market and a halt in new plantings of palm seedlings by plantations.

Even with the return of relative political stability in recent years and the return to production by major plantations, many commercial growers have been forced to abandon large acreages of mature palms because of a shortage of labor for harvesting and maintenance operations. Young males are moving out of rural areas to the cities, and low farm wages paid to those remaining give them little incentive to increase output. Many laborers even refuse to climb the older, taller palms, preferring to harvest only the younger trees.

The Zaire's ability to produce for the world market is also hampered by location of its palm oil producing areas. It is the only major palm oil exporter that must absorb a high internal transport cost as part of its cost of production. Some of the Zaire's palm oil must be moved by bulk barges more than 1,000 miles down the Zaire River to Kinshasa. There it is off-loaded onto rail cars and transported to port facilities at Matadi. It is estimated that costs to move palm oil from the bulk tanks in major oil producing regions to port are over $24 per ton.

Despite these inhibiting factors, the Zaire's commercial production of palm oil, based almost entirely on plantation operations, has recovered from the low levels of the 1965-66 period and has stabilized since 1968 at around 175,000 tons.

Exports, although reaching 141,000 tons in 1968, dropped to 111,000 tons by 1971 as a result of increased domestic industrial utilization.

The Zaire's palm oil industry, on the whole, appears to be in a state of stasis —plantations are trying to maintain production while not making large investments in expansion. Because of labor limitations and proliferation of Government revenue controls—fixed domestic sales prices, higher taxes, and rising minimum wage rates—there has been little incentive to invest capital in increased processing capacity.

Oil mills currently in use are now outmoded—almost all were established before 1950, and many as early as the 1930's. However, to keep established mills running at full capacity, some plantations have undertaken new, though minor, replanting programs.

There is little potential for increased production of palm oil in the Zaire in the near future, and exports are expected to undergo a moderate to sharp drop through the 1970's. Because of the current crop of problems facing producers in the Zaire, it would probably be among the first countries to shift out of palm oil production as a result of increased competition in world markets.

Though a relatively minor exporter of palm oil in the past, **Dahomey** is expected to expand foreign shipments to 60,000 tons by 1980, five times its present level. Much of this increase will come from 67,000 acres of high-yielding oil palms planted in three large plantation projects during the 1960's.

Nigerian farmers planting an improved variety of palm seedling provided by the Government at nominal cost.

These plantations are Government-owned and were financed by loans and grants from the International Bank for Reconstruction and Development, the European Development Fund, and the French Development Aid Fund. The processing of palm bunches is under the control of a Government-owned corporation, SNAHDA, which in 1971 completed a new oil mill to bring the country's total to five. Two additional mills are to be built by 1975.

Because of Dahomey's prolonged dry season, yields there are among the lowest of any major producer-exporter, averaging about 0.75 ton of oil per acre at maturity, compared with yields ranging from 1 to 2 tons per acre in other major exporting countries. However, research on irrigation of Dahomey's palm groves has shown increases in yields to a point where the additional returns justify the costs.

All of Dahomey's processed oil is handled by SNAHDA and is exported. The country has no industrial requirements. What palm oil is consumed domestically is produced from wild groves by traditional methods. This subsistence production is estimated at about 30,000 tons per year.

The **Ivory Coast** is expected to become the largest exporter of palm oil from the African Continent by 1975,

after having been a net importer up to 1969. The increase will come as the result of a planting program begun in 1964. By the end of 1970, over 165,500 acres had been planted to high-yielding palms. The total will reach 239,700 acres by 1975, and go to 338,500 acres by 1980.

Until 1970, the Ivory Coast had only three small private plantations which produced some 15,000 tons of palm oil annually. Imports were necessary to supplement this supply. The new plantings, which started coming into production in 1969, boosted oil output to 21,000 tons; by 1970 it reached 42,000 tons. Production is projected to increase to 170,000 tons by 1975 and to 250,000 tons by 1980.

Six oil mills have been constructed since 1968 with three more to be built by 1973. A bulk oil facility was completed at Abidjan in 1971 and is now in operation.

The country's only industrial user of palm oil is expanding its oil refinery capacity in order to supply a regional market in West Africa with table oil, margarine, and soaps. The company increased its utilization to 23,000 tons in 1970 from less than 18,000 tons in 1969. By 1975, the company expects to utilize 60,000 tons of palm oil annually. Thus, exports should reach 100,000 tons a year by 1975 and 170,000 tons by 1980.

Exports of palm oil from the African Continent reached their peak of just over 400,000 tons in 1960—the year most African countries achieved independence. Since then, however, exports have declined consistently, reflecting boosts in domestic consumption, a lessening of operational efficiency resulting from the withdrawal of colonial administrators, lack of a continuing investment program because of the area's general political instability, and production disruptions owing to civil unrest.

African exports reached their lowest point in 1967 when, as the result of the Nigerian civil war and the Zaire disorders, they settled at 172,000 tons. They remained stabilized at that level through 1970.

Coinciding almost exactly with the drop in exports from the African Continent were increases in foreign sales by Southeast Asian countries, particularly from Malaysia. From a level of 200,000 tons in 1960, Asian exports rose to over 300,000 tons by 1965 and to over 500,000 tons by 1970. During the decade just ended world exports ranged between 500,000 and 600,000 tons, with a slight boost in 1969 and 1970 to just over 700,000 tons.

Palm oil markets. Western Europe was the major market for palm oil during the 1960's. Imports into the area averaged 430,000 tons during the period 1960-69, about 75 percent of total world exports. The European Community was the largest importer, taking an annual average of 275,000 tons; the United Kingdom was next with an annual average of 130,000 tons.

In 1960, African nations accounted for 71 percent of total imports of palm oil by Western Europe, while Asian countries supplied 26 percent. By 1969 the scale had tipped the other way: Asian countries provided 60 percent of Western Europe's total imports; Africa's share, meanwhile, had slumped to about 35 percent.

Despite the decline in Africa's share of the total West European market, imports from that continent by EC countries remained relatively constant throughout the 1960-70 period, averaging 162,000 tons annually. This was because trade patterns established in preindependence days had been maintained and the 18 Associated African States had been exempted from the 6-percent EC import duty on edible palm oil. EC imports from Asian producers, however, increased—from 78,000 tons in 1960 to 130,000 tons in 1970, although Africa remained the EC's major source.

Asian nations also replaced African countries as primary suppliers to non-EC countries in Europe, particularly the United Kingdom. Imports from Africa into these countries dropped from nearly 160,000 tons in 1960 to under 15,000 tons in 1970.

Palm oil sales to all major markets jumped dramatically during 1971. Imports into the United States increased from 64,000 tons in 1970 to 103,000 tons 1 year later, the highest level of U.S. palm oil imports since 1941. Imports into the United Kingdom in 1971 should be about 50 percent higher than in 1970—up to 210,000 tons—and those in the EC are expected to increase by 30 percent to just over 400,000 tons.

With increasing exports of palm oil going into the world market, the price spread between palm oil and other major vegetable oils has widened considerably. For example, soybean oil prices in 1970 (c.i.f. Europe) were $31 per ton higher than for palm oil, compared to an average difference of only $11 per ton in the 1960-69 period. By 1971, the difference in prices had risen to an average of $47 per ton because of increased supplies of palm oil. This large price differential could be maintained throughout this decade as palm oil attempts to enlarge its share of the world fats and oils market.

Total West African palm oil exports, though growing, will supply a diminishing share of trade in this commodity in the present decade. By 1975, West African exports will amount to a little over 15 percent of world trade, down from the 1970 level of 25 percent, and the much higher 1960 level of 66 percent. West Africa's palm oil exports will continue to be directed to the EC market because of the duty preference there.

Asian exports, on the other hand, can completely supply the United States; and the United Kingdom will continue to be a major market even after it comes under the EC tariff schedule.

Malaysia will continue to dominate the palm oil export market. Because it is the major producer-exporter and its oil production costs are assumed to be lower than other exporters, Malaysia will generally set world prices for palm oil. West African countries will have to follow these price levels if they are to retain their current customers and expand their outlets.

WESTERN EUROPE'S PALM OIL SUPPLIERS BY REGION IN SELECTED YEARS

Region	1960	1963	1966	1969
	Percent	*Percent*	*Percent*	*Percent*
Africa	71	63	47	35
Asia	26	34	50	60
Other	3	3	3	5
Total	100	100	100	100
	Metric tons	*Metric tons*	*Metric tons*	*Metric tons*
Western Europe's total imports	425,284	408,258	423,738	502,331

Australia Reports Large Canned Fruit Pack—Surplus Problems Worry Industry and Government

By HENRY O. WAGLEY, JR.
Fruit and Vegetable Division
Foreign Agricultural Service

Australia is now the world's foremost exporter of canned deciduous fruit: exports have risen from 3.1 million cases in 1956-60, to 4.3 million in 1961-65, to 6.8 million cases during 1966-70. Preliminary information suggests 1971 exports may reach 7.0 million cases.

Australia's position in world canned fruit trade has changed significantly in recent years. Traditionally, this trade was oriented toward the United Kingdom, which took 85 percent of Australia's total canned fruit exports as recently as 1964. The United Kingdom is still the major market, taking 63 percent of all 1971 exports; however, significant secondary markets have been developed—for all fruits in Canada, for peaches in West Germany, and for pears in the United States.

Australia's position in world markets has been made possible by aggressive marketing and rapidly expanding production. Annual average production increased from 4.9 million cases during 1956-60 to 7.1 million during 1961-65, to 10.1 million during 1966-70. Production continues high in 1972. Current estimates predict the third consecutive year of large fruit pack: Total 1972 production is estimated at 10.4 million cases, 10 percent below the record 1970 pack of 11.5 million cases, but slightly above the 1966-70 average.

Large crops of peaches, pears, and apricots are now being harvested. Heavy rains in early February were followed by cool windy conditions in the Goulburn Valley, Australia's principal fruit canning area. Peach losses from brown rot were small, significantly affecting only the early maturing varieties. Rains, followed by warm, humid weather, caused somewhat heavier (but still relatively small) losses in the Murrumbridgee Irrigation Area. Canned peach production is estimated at 4.5 million cases.

Bartlett pear production reached a near record of 134,000 short tons this season. Cannery intake restrictions are being applied for the second consecutive season, acceptance standards have been raised, and a new juice and paste producing plant is being operated to alleviate overpack of canned pears. Canned pear production is estimated at 2.8 million cases. Approximately 34,000 tons of Bartlett pears are expected to be dumped or stay on trees.

Apricot production was good, although below the record 1971 harvest. Apricot pack is estimated at 950,000 cases. Rain damage reduced canning quality, causing canneries to restrict intake in several areas. Mixed fruit packs are estimated at near-record levels.

Large export shipments have not been able to halt rising stock levels which totaled almost 3.8 million cases on January 1, 1972. Record carry-in stocks of apricots and pears are estimated at 0.4 million cases and 1.9 million cases, respectively. Large stocks of peaches are estimated at 0.9 million cases and mixed fruit, at 0.6 million.

Australia is concerned about rising canned fruit stocks and surplus problems facing the canned fruits industry. As far back as late 1968, the Australian Government established an interdepartmental committee to survey the canning fruit industry and to prepare proposals which would improve the long-run economic position of the industry. The committee presented its report to the Government in late 1970. A permanent Canned Fruits Advisory Committee was then set up to study long-run problems.

The Advisory Committee presented a proposal for a tree removal compensation program to the February 5 meeting of the Agricultural Council. A conference of State and Commonwealth officials will be held to consider the proposal and to make recommendations. The proposal urges payment to growers of up to US$840 per acre of full bearing trees destroyed. Lower rates were proposed for nonbearing peaches, pears, and apricots and for old peach and apricot trees.

A two-price grower pool has also been considered by industry officials in conjunction with tree removal. This scheme would require establishment of a free tonnage pool for grower deliveries to be utilized in high return markets and a surplus pool for fruit utilized in low return markets.

The Australian and State Governments are concerned about canneries in financial difficulties and have provided extensive financial grants and loans.

The industry is attempting to improve its marketing procedures and has formed an integrated marketing organization (IMO) called the Australian Canned Fruit U.K., Ltd., to handle all shipments and activity in the United Kingdom. The IMO will conduct a combined advertising and promotional program supporting Australian fruit and act as sales agent for all brands.

Australia is concerned about canned fruit surplus problems and is considering alternative programs which could more nearly balance supply and demand. Recent experience, however, demonstrates that Australia is a capable and successful performer in international markets for canned fruit. Large stocks and the large crop now being harvested insure that Australia will be an aggressive competitor in export markets during 1972 and the years to come.

AUSTRALIAN PRODUCTION OF CANNED DECIDUOUS FRUIT

Item	1970	1971	1972 [1]
	1,000 cases [2]	*1,000 cases* [2]	*1,000 cases* [2]
Peaches	3,934	4,852	4,460
Pears	4,394	3,478	2,750
Mixed fruit:			
Two fruits	1,251	872	1,100
Cocktail	1,098	816	1,000
Salad	45	89	100
Total	2,394	1,777	2,200
Apricots	773	1,206	950
Total	11,495	11,313	10,360

[1] Forecast. [2] 24 size 2½ cans.

AUSTRALIAN EXPORTS OF CANNED DECIDUOUS FRUIT

Item	1969	1970	1971 [1]
	1,000 cases [2]	*1,000 cases* [2]	*1,000 cases* [2]
Peaches	2,423	2,819	2,740
Pears	1,567	2,195	2,462
Mixed fruit	985	1,379	1,439
Apricots	240	277	396
Total	5,215	6,670	7,037

[1] Preliminary. [2] Equivalent 45 lb. cases.

New EC Farm Prices

(Continued from page 3)

stages. The increase for skim milk powder was then held to 15 percent.

In addition, the Council agreed to extend for one year Italy's right to reduce feedgrain import levies by $7.50 per metric ton.

The Council did not commit itself on prices for 1973-74 or on a formula for calculation of future price increases. Neither did it approve other Commission proposals for direct income subsidies and for changes in the grain intervention system. The Council will examine further the Commission's proposals for premiums to develop beef production and more liberal import treatment for calves; a decision on these proposals will be made by September 15. At a press conference on March 27, Sicco Mansholt, now President of the EC Commission, announced that new Commission proposals for direct income subsidies would be prepared by July 1 of this year.

Price unification. The price increases agreed to are expressed in terms of the existing unit of account. No decision was reached to change the value of the unit of account itself. Because EC Member State currencies have appreciated in varying degrees in relation to the exchange rates used to calculate support prices in national currencies from the unit of account, Member State support price levels are no longer the same.

Compensatory taxes and subsidies are used in trade between Member States and with third countries to offset the price differences. The Council agreed that these taxes and subsidies should be eliminated gradually and that other parallel measures should be authorized to prevent farm income deterioration.

It is not clear, however, what this means. It could mean, for example, that over a period of 2 or 3 years Germany would cut existing support prices and compensate farmers at least in part by other means. It could also mean that France and Italy would accept a further increase in prices toward the German level. In this case these price increases would probably be achieved by raising the value of the unit of account. All of these points, however, must be settled in Council decisions.

Exchange rate margins. At an earlier meeting, March 6-7, the Finance Ministers agreed that on or before July 1 the Central Banks of the Member States will undertake to intervene in exchange markets to keep the exchange rates **between EC currencies** from varying more than 2.25 percent from those implied in the exchange rate realinement agreed in Washington last December. Without this monetary coordination, agricultural price unification might again be disrupted. It is expected that the Central Banks will, in fact, initiate this policy very soon—perhaps this month.

Structural reform. Agreement was reached on the Commission's four proposals for structural assistance. These measures represent the first modest but specific attempts to provide Communitywide support for the structural reform of EC agriculture.

The first of these proposals called for financial assistance to modernize farms that within 6 years could provide an income comparable to that available outside farming. The debate in the Council sought primarily to establish criteria for eligibility, methods of assistance, and the relationship between Community and nationally financed assistance.

The second proposal recommended an annual payment of $600 to farmers 55 to 65 years old who retire. These farmers would also be offered a premium for the sale or lease of their land. In accepting this proposal the Council extended the age limits under certain conditions and provided more flexibility in the amount and type of retirement payment. Additional provisions relate to the land premium and to financing.

The third proposal created services for the dissemination of information on economic opportunities in and out of farming. Member States will also provide certain assistance for professional training and retraining.

The final proposal called for financial aid to producer groups. Details of this directive are to be worked out by October 1.

Additional CAP regulations. Before the Council began its meeting, France and Italy asked for assurance that new regulations would be forthcoming to strengthen the Common Agricultural Policy and extend it to certain additional products. In compliance with these requests the Commission has prepared a draft regulation to govern the marketing of alcohol of agricultural origin, and has promised to submit proposals later this year to strengthen the marketing rules for fruits and vegetables, pork, and poultry. A regulation on mutton and lamb can also be expected although this may take more time to prepare.

NEW EC FARM SUPPORT PRICES FOR 1972-73

Commodity	1971-72 prices	Approximate 1972-73 prices [1]	Effective date
	Units of account per metric ton [2]	*Units of account per metric ton* [2]	*Units of account per metric ton* [2]
Nondurum wheat	109.44	113.80	8-1-72
Durum wheat	127.50	132.60	8-1-72
Barley	100.21	104.20	8-1-72
Corn	96.90	101.75	8-1-72
Rice	202.00	211.50	9-1-72
Milk	109.00	117.70	4-1-72
Butter	1,780.00	1,800.00	4-1-72
		1,860.00	9-15-72
Skim milk powder	470.00	540.00	4-1-72
Live cattle	720.00	749.00	4-1-72
Live calves	942.50	942.50	4-1-72
Rapeseed	202.50	208.60	7-1-72
Sunflowerseed	202.50	210.50	7-1-72

[1] Target price, except intervention price for butter and skim milk powder and orientation price for cattle and calves. Prices listed are tentative, based on announced percentage increases, except for butter and skim milk powder.

[2] The unit of account has been equal to the dollar. This situation is changing, however, with the realinement of exchange rates agreed to Dec. 18, 1971.

U.S. and Soviet Union Hold Agriculture Trade Talks

Possible additional sales of U.S. grain and feedstuffs to the Soviet Union were discussed at a series of U.S.-Soviet talks which began in Moscow on April 10.

The Soviet invitation for these discussions was extended by the Ministry of Foreign Trade and followed the sale last November of a large quantity of U.S. feedgrains to the Soviet Union—the first major grain sale to that country in 8 years. This purchase was one of several indications that the USSR was launching a major effort to expand output of livestock and poultry products.

The high-level U.S. team was headed by Assistant Secretary of Agriculture Clarence D. Palmby. The talks were opened by Secretary of Agriculture Earl L. Butz, who was visiting the Soviet Union from April 8 to 12 at the invitation of Soviet Minister of Agriculture V. V. Matskevich.

CROPS AND MARKETS

GRAINS, FEEDS, PULSES, AND SEEDS

Rotterdam Grain Prices and Levies

Current offer prices for imported grain at Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	April 12	Change from previous week	A year ago
	Dol. per bu.	*Cents per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 1 CWRS-14 ..	1.98	+1	[1] 1.99
USSR SKS-14	1.86	+1	1.97
Australian FAQ	([2])	([2])	1.85
U.S. No. 2 Dark Northern Spring:			
14 percent	1.89	0	1.99
15 percent	1.97	+1	2.02
U.S. No. 2 Hard Winter:			
13.5 percent	1.80	0	1.98
No. 3 Hard Amber Durum ..	1.82	+1	--
Argentine	([2])	([2])	([2])
U.S. No. 2 Soft Red Winter..	([2])	([2])	1.77
Feedgrains:			
U.S. No. 3 Yellow corn	1.44	+1	1.68
Argentine Plate corn	1.72	+4	1.67
U.S. No. 2 sorghum	1.50	0	1.42
Argentine-Granifero sorghum	1.52	+1	1.40
U.S. No. 3 Feed barley	1.22	−1	1.39
Soybeans:			
U.S. No 2 Yellow	([2])	([2])	3.23
EC import levies:			
Wheat [3]	1.68	+1	1.50
Corn [5]	1.10	−2	.84
Sorghum [6]	1.10	+3	.98

[1] Manitoba No. 2. [2] Not quoted. [3] Durum has a separate levy. [4] Effective October 14, 1971, validity of licenses with levies fixed in advance is a maximum of 30 days. [5] Until Aug. 1, 1972, Italian levies are 19 cents a bu. lower than those of other EC countries. Note: Basis—30- to 60-day delivery.

DAIRY AND POULTRY

Denmark's Dairy Outlook Favorable for 1972

Milk production in Denmark in mid-March 1972 was running about 5 percent above levels a year earlier, as improved producer prices encouraged increased feeding of concentrates. Butter production, which has dropped off steadily since 1968, is expected to approximate the 1971 level of 123,500 metric tons. Cheese production continues to increase, and this year's output is forecast at 123,000 tons against 120,000 in 1971.

In 1971, milk production declined for the sixth straight year to 4.56 million tons. Output was up 4 percent in the last quarter of the year, holding the year's decline to only 1.5 percent, the smallest in the past 5 years. Despite the drop in volume of milk produced, total exports of dairy products increased. Dairy product exports were valued at $207 million, a gain of 18 percent in foreign exchange earnings over 1970.

Owing to improved prices to farmers for milk and dairy products, the decline in cow numbers has begun to level off. Dairy herds are expected to stabilize at around the current level of 1.1 million head. Most dairy farmers are now reluctant to sell cows, and the price of good replacement heifers is increasing.

Butter exports in 1971 totaled 76,852 tons, down 12 percent from 1970; but with sharply higher prices, particularly on the British market, exports were valued at $92 million, a 21-percent gain over 1970. Exports to the United Kingdom in calendar year 1971 accounted for 69,261 tons, or 90 percent of total exports. Denmark is not expected to fully meet its 1971-72 (marketing year) butter quota to the United Kingdom of 84,332 tons (83,000 long tons).

Cheese exports totaled 70,215 tons valued at $67 million, an increase of 3 percent in quantity and 14 percent in value over 1970 levels. Danish exports to West Germany remained unchanged at 20,000 tons, while exports to the United States, Denmark's second largest market, declined by 15 percent to 14,904 tons. Shipments to Algeria, Japan, and Canada, however, were up 53, 45, and 18 percent respectively, over 1970.

Exports of condensed milk products declined by 6 percent to 20,265 tons, with about half going to the United Kingdom. Exports of dried milk products totaled 59,060 tons, up 27 percent over the 1970 volume. The major markets were Saudi Arabia, Nigeria, Zaire, and Malaysia.

FATS, OILS, AND OILSEEDS

Philippine Coconut Output Forecast at Record High

Philippine copra output in calendar 1972 is forecast at a record 2.0 million metric tons—nearly 300,000 tons, or 17 percent, above the 1971 volume. The bulk of the gain reflects increased rainfall and an expanded number of bearing trees.

In terms of oil, this year's output will amount to nearly 1.3 million metric tons against 1.1 million in 1971.

Exports of copra and coconut oil, oil basis, are estimated to exceed 1.0 million tons—152,000 tons above the 1971 volume. The 18-percent increase in exports forecast for 1972 follows an increase of 43 percent, or 259,000 tons, in 1971.

During January-February 1972, Philippine exports of copra and coconut oil totaled 171,300 metric tons, oil basis, against 106,200 tons and 51,800 tons in the same months of 1971 and 1970, respectively. Cumulative exports for these months have averaged 13.9 percent of calendar-year exports during the 1962-70 period and accounted for 12.3 percent in 1971. Since 1960, exports for these 2 months have accounted for as much as 16.2 percent of calendar-year exports in 1967 and as little

as 10.7 percent in 1970.

In the 1972 period through February, exports represent 16.9 percent of the calendar-year export forecast. This relatively high proportion seems reasonable in view of the fact that a large amount of the output is now being produced in Mindanao, where monthly rainfall is more constant. Consequently, current aggregate monthly export data should show a less pronounced seasonal pattern than in prior years.

The United States is the leading market for Philippine coconut product exports. In 1971, U.S. imports of copra and coconut oil from the Philippines amounted to 406,900 metric tons, oil basis, against 392,000 tons in 1970.

In 1970, the U.S. market absorbed 65 percent of Philippine exports of copra and coconut oil, on an oil basis. In 1971, despite some increase in purchases by the United States, the U.S. share of Philippine exports declined to about 47 percent.

If Philippine export availabilities continue to outpace growth in U.S. import demand for these products, a still larger share of Philippine exports will have to compete in other world markets—chiefly West European countries—where significant increases in palm kernel oil availabilities are also being absorbed. Thus, world exportable supplies of lauric acid oils (coconut and palm kernel) are expected to be more than ample through the end of 1972.

PHILIPPINE COCONUT TREE NUMBERS, COPRA PRODUCTION AND EXPORTS

Year	Number of bearing trees	Estimated copra yield per tree	Copra production [1]	Exports of copra and coconut oil [2]
			1,000 metric tons	*1,000 metric tons*
	Million	*Pounds*		
1965...	164	19.6	1,458	792
1966...	165	21.7	1,625	898
1967...	166	19.3	1,453	724
1968...	174	17.2	1,358	689
1969...	193	13.5	1,180	566
1970...	207	13.3	1,245	604
1971...	227	16.5	1,704	863
1972 [3]..	239	[4]18.4	2,000	1,015

[1] Estimated on the basis of the copra equivalent of coconut products using assumed copra equivalents as follows: Coconut oil 1.5625; desiccated coconut 1.30; and copra meal 2.857. Excludes quantities of mature and immature nuts used directly for food purposes. [2] Copra converted to an oil basis at 64 percent. [3] Forecast. [4] Forecast on the basis of lagged rainfall data weighted by major producing areas.

FRUITS, NUTS, AND VEGETABLES

Smaller 1971 Chilean Canned Fruit Pack

Chile reports a smaller 1971 canned deciduous fruit pack. Total production of canned fruit is estimated at 600,100 cases (equivalent 24/2½'s), 2 percent below the 1970 pack of 612,400 cases. Production of canned peaches is estimated at 548,700 cases and that of other fruits, at 51,400 cases.

CANNED DECIDUOUS FRUIT PRODUCTION IN CHILE

Item	1968	1969	1970	1971
	1,000 cases	*1,000 cases*	*1,000 cases*	*1,000 cases*
Peaches	513.4	563.4	558.5	548.7
Other	64.7	66.1	53.9	51.4
Total	578.1	629.5	612.4	600.1

Australia Sets 1972-Season Opening Canned Fruit Prices

A London trade journal reports opening prices of Australian canned fruits ex-base London at the following rates per dozen in full containers:

Item and can size	Opening price, choice grade [1]
	U.S. dol. per dozen
Apricots, halves:	
2½	4.14
8 oz.	1.67
10	14.38
Peaches, halves or slices:	
2½	4.01
8 oz.	1.64
10	14.64
Pears, halves or quarters:	
2½	4.01
8 oz.	1.64
10 (33-40 count)	14.28
Fruit cocktail:	
2½	4.66
8 oz.	1.97
10	17.30
Two fruits:	
2½	4.01
8 oz.	1.64
10	14.64
Fruits for salad:	
2½	5.08
8 oz.	—
10	—

[1] A 5-percent discount is given to buyers of 5,000 or more cartons if payment is made within 28 days.

SUGAR AND TROPICAL PRODUCTS

India's Small Coffee Farms To Diversify Under ICO Loan

India has entered into two loan contracts with the International Coffee Organization Diversification Fund. One of the projects will be a coffee census valued at US$115,000 and another will provide $421,000 for the diversification of small coffee farms. The two contracts are designed to strengthen the coffee sector of the agricultural economy.

The census is intended to constitute a point of departure for the formulation of national and regional policies and programs in relation to both coffee growing and the diversification of the agricultural economy. The monies provided by the Fund will be used to provide research facilities; credits to farmers for the purchase of planting materials, fertilizers, and the equipment necessary for diversifying their farms; and extension services to give technical advice to farmers. Among alternative crops to be developed are oranges, bananas, and silver oak.

ICO Loan to Brazil To Expand Exports

Brazil is scheduled to obtain $4 million from the International Coffee Organization Fund by September 30, 1973. An advance of $2 million was reportedly formalized by letter on March 22, and these funds would finance three "export transport corridors" in Paraná, São Paulo, and Minas Gerais/Espírito Santo.

The corridors have been explained as integrated systems of production, transportation, and foreign marketing of alterna-

tive raw materials produced in or adjacent to coffee plantations. The final objective of the program is to encourage development, at competitive prices, of export products to increase Brazil's foreign exchange receipts.

A contract has also been signed between Brazil and ICO which provides $2 million to complete an aerial mapping of the principal coffee growing areas and to experiment with new aerial photography techniques.

LIVESTOCK AND MEAT PRODUCTS

U.S. Meat Imports Continue Higher in February

U.S. meat imports subject to the Meat Import Law during February 1972 totaled 80.6 million pounds. This quantity was 13 percent larger than the February 1971 level of 65.1 million.

Australia, New Zealand, and Costa Rica accounted for the increase, while imports from Mexico and Canada are sharply below year-earlier levels. Imports from Australia, by far the largest supplier, totaled 34.9 million pounds, followed by New Zealand with 11.3 million, Mexico with 7.2 million, Costa Rica with 7.1 million, and Ireland with 6.5 million.

U.S. IMPORTS OF MEAT SUBJECT TO MEAT IMPORT LAW, JANUARY-FEBRUARY 1972 WITH COMPARISONS[1 2]

Country of origin	February		January-February		Percent change
	1971	1972	1971	1972	
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*	*Percent*
Australia	22,951	34,865	53,596	76,059	+42
New Zealand	6,572	11,290	21,727	21,992	+1
Ireland	6,289	6,532	12,110	15,524	+28
Costa Rica	5,062	7,058	12,502	13,819	+11
Mexico	11,308	7,171	19,738	12,757	−35
Nicaragua	3,484	4,918	7,852	9,438	+20
Canada	6,146	3,992	12,432	8,125	−35
Guatemala	1,625	2,428	3,226	4,293	+33
Honduras	1,021	1,187	3,934	3,415	−13
Dominican Republic	—	630	345	1,288	+273
Panama	239	408	472	610	+29
Haiti	39	152	112	180	+61
United Kingdom	325	—	444	37	−92
Total[3]	65,061	80,631	148,489	167,538	+13

[1] Preliminary. [2] Fresh, frozen, and chilled beef, veal, mutton, and goat meat, including rejections. [3] May not add due to rounding.

U.S. IMPORTS OF MEAT SUBJECT TO MEAT IMPORT LAW (P.L. 88-482)

Imports	February	January-February
1972:	*Million pounds*	*Million pounds*
Subject to Meat Import Law[1]	80.6	167.5
Total beef and veal[2]	96.8	202.0
Total red meat[3]	137.7	296.6
1971:		
Subject to Meat Import Law[1]	65.1	148.5
Total beef and veal[2]	73.9	169.1
Total red meat[3]	109.5	242.7
1970:		
Subject to Meat Import Law[1]	100.7	225.2
Total beef and veal[2]	110.2	247.9
Total red meat[3]	153.4	323.7

[1] Fresh, chilled, and frozen beef, veal, mutton, and goat meat, including rejections. [2] All forms, including canned and preserved. [3] Total beef, veal, pork, lamb, mutton, and goat.

COTTON

Pakistani Cotton Crop Estimate Revised Upward

Trade estimates of the 1971-72 Pakistani cotton crop have again been revised upward. Production is now placed at 3.25 million bales (480 lb. net), compared with earlier estimates of 2.65 million and 2.85 million bales (see *Foreign Agriculture*, February 28, 1972). This would place the crop at an alltime high, nearly 800,000 bales above the high set in 1969-70.

The revision in production estimates may help to explain the decline in Pakistani cotton quotations in Liverpool in recent weeks. Pakistani prices in the Liverpool market have fallen more than 2 U.S. cents per pound during the past 6 weeks at a time when prices of most other growths remained at the highest levels in 4 years. The Pakistani quotation for Middling 1-inch cotton for the week ending March 16 at Liverpool was 365 points below the nominal U.S. quotation. A recent decline in south Brazilian quotations (due to indications of a large crop) may have affected Pakistani prices for competitive qualities.

The new production estimate means that export availabilities from the 1971-72 crop may be as much as 400,000 bales higher than the 980,000 earlier anticipated. However, a large part of the additional cotton will not be ginned and ready for export before the end of this season. Pakistan has exported an average of 577,000 bales of cotton during the past 5 crop years (August-July basis). Of these, Hong Kong took 156,000 bales on an average, while about 110,000 each went to Japan and Mainland China and 24,000-33,000 to the United Kingdom, Poland, the Soviet Union, and Yugoslavia.

Through February 15, 1972, about 960,000 bales of the current crop had been sold for export. More than one-third of the 1971-72 crop registered for export during this period is destined for Japan—about 326,000 bales, compared with 141,000 for this period last year. Hong Kong will take 228,000 bales (compared with 155,000 for this period last year), China 79,000 (up from 53,000), the Soviet Union 59,000 (up from 29,000), the United Kingdom 44,000 (compared with less than 8,000 last year), the Netherlands 32,000 (up sharply from less than 500 bales), and France 21,000 (up from 4,000). Polish purchases have fallen to about 21,000 bales, and Yugoslav purchases are about constant at 33,000.

Crops and Markets Index

Cotton
15 Pakistani Cotton Crop Estimate Raised

Dairy and Poultry
13 Denmark's Dairy Outlook Favorable for 1972

Fats, Oils, and Oilseeds
13 Philippine Coconut Crop Forecast at Record

Fruits, Nuts, and Vegetables
14 Smaller 1971 Chilean Canned Fruit Pack
14 Australia Sets 1972-Season Canned Fruit Prices

Grains, Seeds, Pulses, and Seeds
13 Rotterdam Grain Prices and Levies

Livestock and Meat Products
15 U.S. Meat Imports in February

Sugar and Tropical Products
14 India Gets ICO Diversification Loan
14 Brazil To Get ICO Loan

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C. 20250

PENALTY FOR PRIVATE USE, $300
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE

U.S.MAIL

First Class

If you no longer wish to receive this publication, please check here ☐ and return this sheet, or addressed portion of envelope in which publication was mailed.

If your address should be changed ☐ PRINT or TYPE the new address, including ZIP CODE, and return the whole sheet to:

Foreign Agricultural Service, Rm. 5918
U.S. Department of Agriculture
Washington, D.C. 20250

This publication is being mailed First Class to take advantage of cheaper mailing rates available under Public Law 91-375, May 16, 1971.

FOREIGN AGRICULTURE

U.S. Cotton in Italian Market

(Continued from page 5)

prices and new legislation have aided the recovery, although textile firms still maintain that higher yarn prices barely cover costs. Tighter import controls may have caused Italian imports of cotton yarns to drop 61 percent during the first 4 months of 1971-72 compared to a year earlier, while fabric imports also fell 10 percent in this period. Meanwhile, Italian exports of cotton yarns rose 21 percent and fabric exports 82 percent.

Because of the revival of the Italian textile industry, total cotton consumption in 1971-72 is now estimated at 965,000 bales, compared to 928,000 in 1970-71. U.S. cotton could gain a portion of this increase.

U.S. cotton prices will also be considered by Italian mills in determining purchases for the year. U.S. cotton enjoyed a favorable competitive position in most European markets for 15 weeks following the flotation of the dollar on August 15, 1971. Purchases made during this time were heavy and may continue to be reflected in spring shipments, despite the fact that this country's 1971-72 crop cotton is currently quoted at prices considerably above those for comparable foreign growths due to very tight U.S. supplies.

Current competitive prices for the 1972-73 U.S. crop have similarly encouraged several Italian contracts to be signed already for delivery during and after September 1972.

Finally, in several instances this season, Turkish shippers failed to make deliveries on contracts made prior to the recent substantial rise in world cotton prices. This may have caused some Italian spinners to seek alternative sources of supply in the United States fairly late in the season when world supplies were tight and cotton for immediate delivery was difficult to obtain.

By MARY E. WILSON, *Cotton Division*
Foreign Agricultural Service

Greece's New Subsidized Sales Program To Increase Burley Output and Exports

Greece recently inaugurated a subsidized sales program for the 1971 and subsequent tobacco crops that could help improve that country's prospects for increased production and export of burley tobacco.

Under the new plan, grower-to-merchant (export) sales must be completed for each crop by a specified date the year following harvest. Following this date growers may deliver all unsold leaf to the Government. The sales completion date for the 1971 crop was March 15, 1972.

Grades are being established by the Government which will provide the basis both for Government collection prices and minimum prices which export buyers must pay to growers.

Government subsidies will be paid to Greek exporters to offset the difference between prices paid to tobacco growers and those at which exporters are expected to be able to move Greek burley into world markets, including some countries in which subsidized Italian-produced burley is competing. (See *Foreign Agriculture*, Dec. 6, 1971.)

Methods to be used to support production and export of burley tobacco are different from those being used for oriental leaf and represent a new type of undertaking for Greek Government agencies. It is contemplated that governmental accumulations under this program, if any, will subsequently be bartered for commodities imported by Greece.

It is too early to predict the degree of success which the Greek burley program may attain. One of its prime objectives is to offset some or all of the advantage subsidized Italian burley now has over Greek burley in markets of the European Community.

—Based on a dispatch from
JAMES C. FRINK
U.S. Agricultural Attaché, Athens

☆ U. S. GOVERNMENT PRINTING OFFICE : 1972 481-869/40